

Financial Statements and
Required Supplementary Information

Olympic College

June 30, 2020

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Independent Auditor's Report

Board of Trustees
Olympic College
Bremerton, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Olympic College (the College), a component unit of the State of Washington, as of and for the year June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the College, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Olympic College Foundation and the John Bremer & Edward Bremer Consolidated Trust (the Foundations) which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. The Foundations' financial statements, which were prepared in accordance with accounting standards as issued by the Financial Accounting Standards Board, were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the Foundations, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the College, a component unit of the State of Washington, are intended to present the financial position, and the changes in the financial position, and where applicable, cash flows of only the respective portion of the activities of the State of Washington that are attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the State of Washington as of June 30, 2020, the changes in its financial position, and where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *pension and other post-employment benefit schedules* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the *Trustees and Administrative Officers* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2026 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
September 10, 2026

Olympic College

Trustees and Administrative Officers

Trustees and officer list effective as of June 30, 2020:

Board of Trustees

Harriette Bryant, Chair

Candelario González, Vice Chair

Tom Eckmann

Cheryl Miller

Frankie Coleman

Administrators

Dr. Marty Cavalluzzi, President

Dr. Mary Garguile, Vice President for Instruction

Cheryl Nuñez, Vice President for Equity and Inclusion

Ron Ellison, Vice President for Administrative Services

Dr. Brendon Taga, Vice President for Student Services and Achievement

Martin Cockroft, Interim Vice President for Instruction

Joshua Masters, Interim Executive Director for Human Resource Services

Evelyn Hernandez, Chief Information Officer

Allison Phayre, Executive Director – Office of Institutional Effectiveness

Karen Wikle, Director – Business Services

Management's Discussion and Analysis

Olympic College

Management's Discussion and Analysis

Olympic College

The following discussion and analysis provides an overview of the financial position and activities of Olympic College (the College), for the fiscal year (FY) ended June 30, 2020 (FY 2020).

This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity

Olympic College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 12,000 students. The College confers bachelor's degrees, associate's degrees, certificates and high school diplomas. The College was established in 1946, and its primary purpose is to enrich our diverse communities through quality education and support so students achieve their educational goals.

The College's main campus is located in Bremerton, Washington, a community of about 43,505 residents. The College also has operations in Poulsbo and Shelton. The College is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component units, the Olympic College Foundation and the John Bremer and Edward Bremer Consolidated Trust. The College's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2020. The Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows provide information about operations and activities over the entire fiscal year, July 1, 2019, through June 30, 2020. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the College's financial health.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are reported under the accrual basis of accounting where all of the current year's revenues and expenses are taken into account regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies.

These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Olympic College Management's Discussion and Analysis

The statement of net position provides information about the College's financial position, and presents the College's assets, liabilities, and net position at year-end and includes all assets and liabilities. A condensed comparison of the statement of net position is as follows:

Condensed Statement of Net Position	2020	2019	Change
As of June 30th			
Assets			
Current assets	\$ 52,866,758	\$ 39,734,366	\$ 13,132,392
Capital assets, net	139,483,343	142,823,037	(3,339,694)
Other assets, noncurrent	178,928	357,858	(178,930)
Total Assets	<u>192,529,029</u>	<u>182,915,261</u>	<u>9,613,768</u>
Deferred Outflows	<u>6,043,486</u>	<u>2,997,484</u>	<u>3,046,002</u>
Liabilities			
Current liabilities	21,626,859	8,221,704	13,405,155
Other liabilities, noncurrent	31,600,181	29,399,948	2,200,233
Total Liabilities	<u>53,227,040</u>	<u>37,621,652</u>	<u>15,605,388</u>
Deferred Inflows	<u>10,245,263</u>	<u>11,255,809</u>	<u>(1,010,546)</u>
Net Position	<u>\$ 135,100,212</u>	<u>\$ 137,035,284</u>	<u>\$ (1,935,072)</u>

Current assets consist primarily of cash, various accounts receivable balances, and due from Trust. The increase of current assets of \$13,259,115 in FY 2020 is primarily attributable to the increase in cash.

Net capital assets decreased by \$3,339,694 from FY 2019 to FY 2020 primarily due to current year depreciation.

Deferred outflows (and the related deferred inflow) as of June 30, 2020, represent changes in deferred contributions and changes of assumptions related to the College's pension, OPEB and State Board Retirement Plan. See footnotes 1, 11, 12, and 13 for discussion of these items and the pension and OPEB liability referred to below.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. The largest increase is due to the addition of the vendor payment advance payable.

Noncurrent liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees. This category also includes the required long-term OPEB liability and pension liability. The increase in noncurrent liabilities was primarily due to the OPEB liability, net of current portion which increased \$1.8M over the prior year. See additional details related to required disclosures within Notes 1 and 11-13.

Olympic College

Management's Discussion and Analysis

Net position represents the value of the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The College is required by accounting standards to report its net position in four categories:

Net Investment in Capital Assets – The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.

Restricted Nonexpendable – The corpus of nonexpendable restricted resources is available only for investment purposes. These assets are held in perpetuity. The College has \$400,000 in restricted faculty award endowment funds in FY 2020 and 2019.

Restricted Expendable – Subject to external donor or grantor stipulations regarding their use. The College may expend these assets for purposes as determined by donors and/or external entities. The College has \$12,605 and \$235,557 in restricted expendable net position for faculty award endowment funds in FY 2020 and 2019, respectively.

Unrestricted – Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses, and changes in net position accounts for the College's changes in total net position during FY 2020. The objective of the statement is to present the revenues received, both operating and nonoperating, and the expenses paid by the College, along with any other revenues, expenses, gains, and losses of the College.

Generally, operating revenues are earned by the College in exchange for providing goods and services. Tuition and grants and contracts are included in this category. In contrast, nonoperating revenues include monies the College receives from another government without directly giving equal value to that government in return. Accounting standards require that the College categorize state operating appropriations and Pell Grants as nonoperating revenues.

Operating expenses are expenses incurred in the normal operation of the College, including depreciation on property and equipment. When operating revenues, excluding state appropriations and Pell Grants, are measured against operating expenses, the College shows an operating loss. The operating loss is reflective of the external funding necessary to keep tuition lower than the cost of the services provided.

Olympic College

Management's Discussion and Analysis

A condensed comparison of the College's revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019, is presented below.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

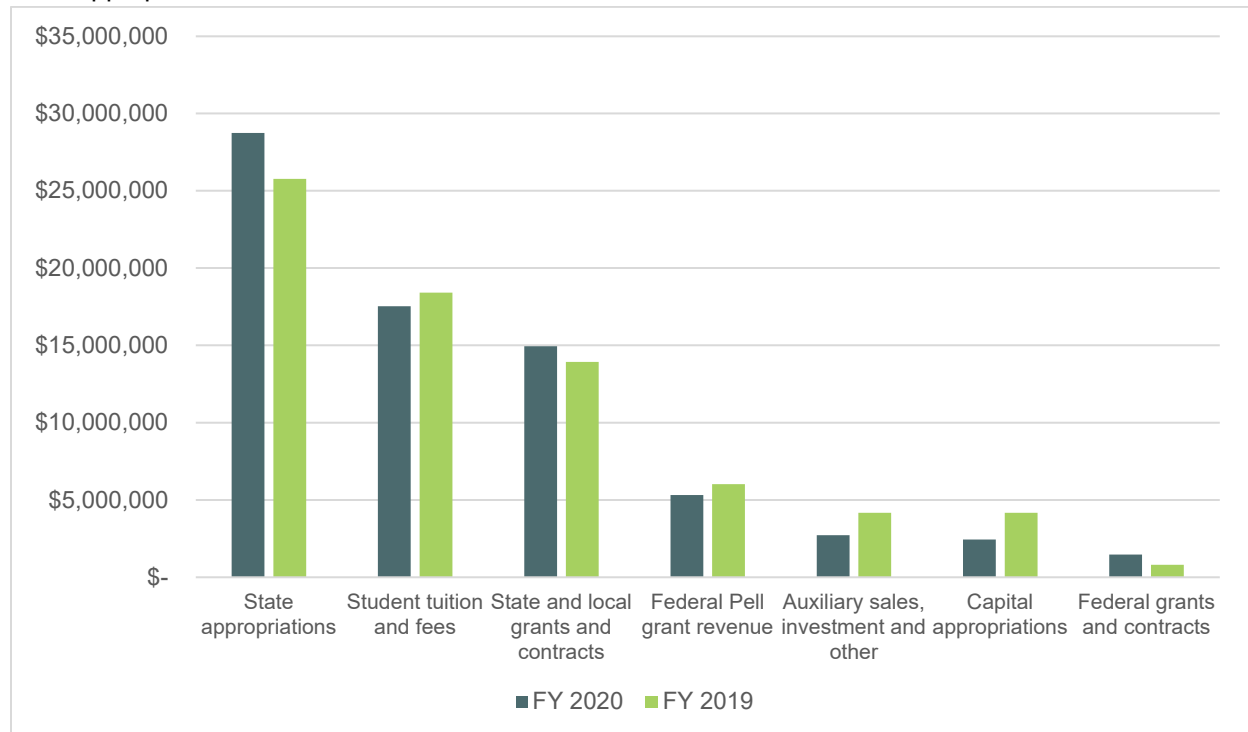
For the year ended June 30th

	2020	2019	Change
Operating revenues	\$ 36,053,869	\$ 36,788,207	\$ (734,338)
Operating expenses	73,355,915	69,594,206	3,761,709
Net Operating Income (Loss)	(37,302,046)	(32,805,999)	(4,496,047)
Nonoperating revenues	34,482,056	32,310,569	2,171,487
Nonoperating expenses	1,738,341	2,148,379	(410,038)
Income (Loss) before other revenues and expenses	(4,558,331)	(2,643,809)	(1,914,522)
Capital appropriations	2,444,329	4,166,909	(1,722,580)
Capital contributions	178,930	178,930	-
Noncash capital contributions	-	26,013	(26,013)
Increase (Decrease) in Net Position	<u>\$ (1,935,072)</u>	<u>\$ 1,728,043</u>	<u>\$ (3,663,115)</u>

Revenues

Operating revenues decreased \$734,338 in FY 2020, primarily due to a decrease of \$1.4 million in auxiliary enterprise sales and a decrease of approximately \$883 thousand in student tuition and fees, offset by an increase of \$1.0 million in state and local grants and contracts.

Nonoperating revenues increased by \$2,171,487 in FY 2020, which was primarily due to an increase in state appropriations.

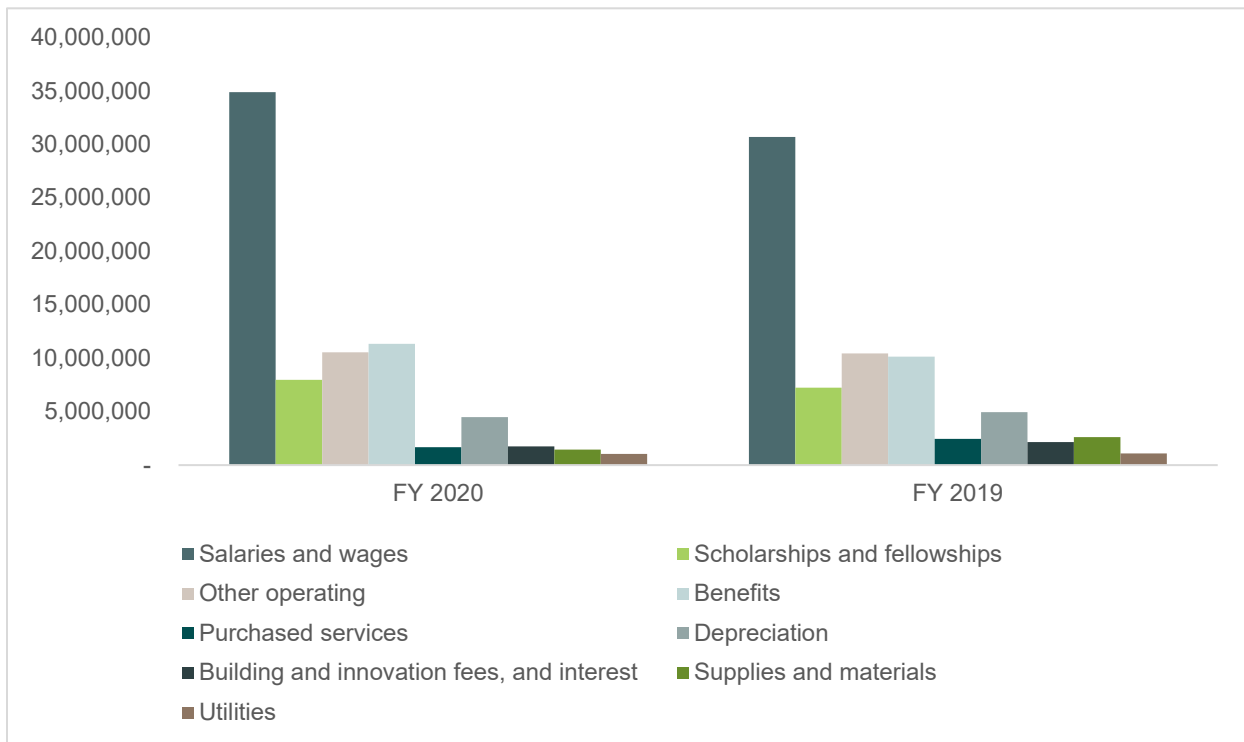


Olympic College

Management's Discussion and Analysis

Expenses

Operating expenses increased \$3,761,709 in FY 2020, led by a significant increase of approximately \$4.2 million in salaries and wages and an increase of approximately \$1.2 million in benefits. This was offset by a \$1.2 million decrease in supplies and materials.



Capital Assets and Long-Term Debt Activities

The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing, and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed.

At June 30, 2020, the College paid off all outstanding debt related to a certificate of participation (COP) in 2010 for energy enhancements.

Olympic College

Management's Discussion and Analysis

At June 30, 2020, the College had \$139,483,343 in capital assets, net of accumulated depreciation. This represents a decrease of \$3,339,694 from FY 2019, as shown in the table below. The decrease in capital assets is primarily the result of current year's depreciation. See Note 4 in the accompanying Notes to the Financial Statements.

	2020	2019	Change
Asset Type as of June 30th			
Land	\$ 11,809,552	\$ 11,809,552	\$ -
Construction in progress	100,270	34,198	66,072
Buildings, net	115,824,025	119,306,617	(3,482,592)
Other improvements and infrastructure, net	9,114,226	8,689,828	424,398
Equipment, net	2,511,082	2,803,717	(292,635)
Library resources, net	124,188	179,125	(54,937)
Total Capital Assets, Net	<u>\$ 139,483,343</u>	<u>\$ 142,823,037</u>	<u>\$ (3,339,694)</u>

Economic Factors That Will Affect the Future

The College experienced a decline in enrollment during FY 2020, consistent with trends across Washington State community and technical colleges, largely due to the impacts of the COVID-19 pandemic. As a result, there is potential for continued pressure on state operating appropriations in future years. The College remains subject to the same economic variables that affect other entities and continues to pursue its mission of enriching diverse communities through quality education and student support.

The College has continued its strategic efforts to address enrollment challenges and improve student outcomes. These efforts include participation in Achieving the Dream, a network of community colleges focused on using data to improve student success and close achievement gaps; continued implementation of Guided Career Pathways to improve student enrollment, retention, and completion; and advancement of a Strategic Enrollment Management plan focused on sustainable enrollment growth. The College also continues to pursue operational efficiencies, manage costs, and enhance the quality of education and services provided to students and the community.

Under the biennial capital budget for FY 2019–21, the College expects to receive approximately \$7.7 million in state capital funding for the renovation of the Shop building, which houses programs such as Welding, Composite Materials, Electronics, and Technical Design. The total estimated project cost is approximately \$10.5 million. The project remains in progress and was completed in fiscal year 2021.

Financial Statements

Olympic College
Statement of Net Position
June 30, 2020

	Olympic College June 30, 2020	Component Units	
		Olympic College Foundation June 30, 2020	John Bremer & Edward Bremer Consolidated Trust December 31, 2019
CURRENT ASSETS			
Cash and cash equivalents	\$ 41,253,583	\$ 812,902	\$ 59,603
Restricted cash	412,604	-	-
Short term investments	-	-	24,270,985
Accounts receivable, net of allowance for doubtful accounts	11,021,641	72,402	200,389
Notes receivable, current portion	178,930	-	4,000
Other assets	-	-	67,534
Total current assets	52,866,758	885,304	24,602,511
NONCURRENT ASSETS			
Long-term investments	-	16,594,162	-
Non-depreciable capital assets	11,909,822	-	1,518,914
Capital assets, net of depreciation	127,573,521	-	4,819,148
Note receivable, net of current portion	178,928	-	6,333
Other noncurrent assets	-	10,000	-
Total noncurrent assets	139,662,271	16,604,162	6,344,395
Total assets	192,529,029	17,489,466	30,946,906
Deferred outflows of resources related to OPEB	2,653,085	-	-
Deferred outflows of resources related to pensions	3,390,401	-	-
Total deferred outflows of resources	6,043,486	-	-
Total assets and deferred outflows	\$ 198,572,515	\$ 17,489,466	\$ 30,946,906

See accompanying notes.

Olympic College
Statement of Net Position
June 30, 2020

		Component Units	
	Olympic College June 30, 2020	Olympic College Foundation June 30, 2020	John Bremer & Edward Bremer Consolidated Trust December 31, 2019
CURRENT LIABILITIES			
Accounts payable	\$ 1,029,995	\$ 131,254	\$ 9,895
Vendor payment advance payable	13,294,742	-	-
Accrued liabilities	4,569,108	618,138	578,716
Compensated absences, current portion	243,137	-	-
Unearned revenue	735,972	1,500	-
Pension liability, current portion	76,559	-	-
OPEB liability, current portion	1,677,346	-	-
Total current liabilities	21,626,859	750,892	588,611
NONCURRENT LIABILITIES			
Compensated absences, net of current portion	2,769,561	-	-
Pension liability, net of current portion	8,324,898	-	-
OPEB liability, net of current portion	20,505,722	-	-
Total noncurrent liabilities	31,600,181	-	-
Total liabilities	53,227,040	750,892	588,611
Deferred inflows of resources related to OPEB	7,567,419	-	-
Deferred inflows of resources related to pensions	2,677,844	-	-
Total deferred inflows of resources	10,245,263	-	-
NET POSITION			
Net investment in capital assets	139,483,343	-	-
Restricted for faculty award endowment (nonexpendable)	400,000		
Restricted for faculty award endowment (expendable)	12,605		
Restricted by donors within Olympic College Foundation	-	16,399,844	-
Restricted by donors within John Bremer & Edward Bremer Consolidated Trust	-	-	30,358,295
Unrestricted	(4,795,736)	338,730	-
Total net position	135,100,212	16,738,574	30,358,295
Total liabilities, deferred inflows, and net position	\$ 198,572,515	\$ 17,489,466	\$ 30,946,906

See accompanying notes.

Olympic College
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2020

		Component Units	
	Olympic College June 30, 2020	Olympic College Foundation June 30, 2020	John Bremer & Edward Bremer Consolidated Trust December 31, 2019
OPERATING REVENUES			
Student tuition and fees, net of scholarship allowances and discounts	\$ 17,524,881	\$ -	\$ -
Auxiliary enterprise sales	522,523	-	-
State and local grants and contracts	14,942,522	-	-
Federal grants and contracts	1,464,948	-	-
Rental Income	-	-	950,445
Other operating revenues	1,598,995	2,537,544	14,867
Total revenues	36,053,869	2,537,544	965,312
OPERATING EXPENSES			
Salaries and wages	34,887,863	387,479	-
Benefits	11,343,529	-	-
Scholarships and fellowships	10,540,383	515,987	-
Other operating expenses	7,970,025	291,182	982,992
Depreciation	4,483,560	-	266,025
Purchased services	1,658,541	-	-
Supplies and materials	1,440,423	-	-
Utilities	1,031,591	-	125,147
Total operating expenses	73,355,915	1,194,648	1,374,164
GAIN (LOSS) FROM OPERATIONS	(37,302,046)	1,342,896	(408,852)
NONOPERATING REVENUES			
State appropriations	28,741,059	-	-
Federal Pell grant revenue	5,319,778	-	-
Investment income, gain	421,219	166,235	4,698,735
Net nonoperating revenues	34,482,056	166,235	4,698,735
NONOPERATING EXPENSES			
Building and innovation fees	1,735,099	-	-
Interest on indebtedness	3,242	-	-
Net nonoperating expenses	1,738,341	-	-
INCOME (LOSS) BEFORE CAPITAL APPROPRIATIONS	(4,558,331)	1,509,131	4,289,883
Capital appropriations	2,444,329	-	-
Capital contributions	178,930	-	-
Increase (decrease) in net position	(1,935,072)	1,509,131	4,289,883
NET POSITION			
Net position, beginning of year	137,035,284	15,229,443	26,068,412
Net position, end of year	\$ 135,100,212	\$ 16,738,574	\$ 30,358,295

See accompanying notes.

Olympic College
Statement of Cash Flows
Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Student tuition and fees	\$ 15,201,821
Grants and contracts	14,765,112
Payments to vendors	(11,038,011)
Payments for utilities	(1,031,591)
Payments to employees	(21,593,121)
Payments for benefits	(11,596,453)
Auxiliary enterprise sales	527,979
Payments for scholarships and fellowships	(10,540,383)
Other receipts (payments)	<u>1,598,995</u>

Net cash from operating activities	<u>(23,705,652)</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	28,741,059
Pell grants	5,319,778
Building and innovation fees	<u>(1,735,099)</u>

Net cash from noncapital financing activities	<u>32,325,738</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital appropriations	2,444,329
Capital contributions	178,930
Purchases of capital assets	(1,143,866)
Principal paid on capital debt	(149,170)
Interest paid	<u>(3,242)</u>

Net cash from capital and related financing activities	<u>1,326,981</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Income from investments	<u>421,219</u>
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Net cash from investing activities	<u>421,219</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS	10,368,286
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CASH AND CASH EQUIVALENTS, beginning of year	<u>31,297,901</u>
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CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 41,666,187</u></u>
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See accompanying notes.

Olympic College
Statement of Cash Flows
Year Ended June 30, 2020

OPERATING LOSS	\$ (37,302,046)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	4,483,560
Changes in assets and liabilities	
Receivables, net	(2,590,632)
Accounts payable	30,978
Vendor payment advance payable	13,294,742
Accrued liabilities	275,713
Unearned revenue	(1,374,786)
Compensated absences	(208,796)
Deferred inflows	(1,010,546)
Deferred outflows	(3,046,002)
OPEB liability adjustment expense	3,100,928
Pension liability adjustment expense	<u>635,779</u>
Net cash used by operating activities	<u><u>\$ (23,711,108)</u></u>

SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL,
FINANCING, AND INVESTING ACTIVITIES

During the year ended June 30, 2020, the College had no noncash investing, capital,
or financing activities.

See accompanying notes.

Olympic College

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Financial reporting entity – Olympic College (the College) is an agency of the State of Washington. The financial activity of the College is included as part of the entire community and technical college system in the State's Annual Comprehensive Financial Report (ACFR). Olympic College is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers bachelor's degrees, associate's degrees, certificates, and high school diplomas. It is governed by a five-member Board of Trustees, appointed by the Governor and confirmed by the state Senate.

The Olympic College Foundation (the Foundation) is a separate but affiliated nonprofit entity, incorporated under Washington law in 1993 and recognized as a tax-exempt 501(c)(3) charity. The Foundation's charitable purpose is to support student success and program excellence at Olympic College by promoting and receiving philanthropic gifts for the benefit of Olympic College, including student scholarships, program enhancements, professional development, equipment, capital projects, cultural events and activities that enrich the entire college community. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the college or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39, and 14. Component units are reported as part of the reporting entity under either the blended or the discrete method of presentation. A discrete component unit is an entity which is legally separate from the College but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report and have been prepared in accordance with generally accepted accounting principles in the United States of America. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) Standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Some modifications have been made to the Foundation's financial information in the College's financial reporting for these differences. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2020, the Foundation distributed \$355,517 and \$160,470 to the College for scholarships related to tuition and fees and support for faculty and student programs, respectively. A copy of the Foundation's complete financial statements may be obtained from the Executive Director of the Foundation, Olympic College, 1600 Chester Avenue, Bremerton, WA 98337 and/or by emailing foundation@olympic.edu.

Olympic College

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The College is the beneficiary of the John Bremer and Edward Bremer Consolidated Trust. On January 1, 1987, the Estate of Ed Bremer and the John Bremer Residuary Trust formed Bremers Partnership by each contributing property. On January 1, 1988, the assets of the Estate were transferred into the Trust. The endowments of the Trust require that the trustee distribute a minimum of 50% of the change in net assets, adjusted for capital gains or losses, to Olympic College on an annual basis. The Bremer Trust financial statements are discretely presented in this report. The Trust's statements have been prepared in accordance with generally accepted accounting principles in the United States of America. The Trust is a private nonprofit organization that reports under FASB Standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Some modifications have been made to the Trust's financial information in the College's financial reporting for these differences. Intra-entity transactions and balances between the College and the Bremer Trust are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2020, the Trust distributed \$191,969 to the College. A copy of the Trust's complete financial statements may be obtained from Sarah Andresen, Hearthstone CPA Group, 4312 Kitsap Way, Suite 102, Bremerton, WA 98312 and/or by emailing busoffice@olympic.edu. The financial information included herein is presented as of December 31, 2019 (the most recent audit information available).

Basis of presentation – For financial reporting purposes, the College is considered a special-purpose government engaged only in Business Type Activities (BTA). In accordance with BTA reporting, the College presents a Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements. The format provides a comprehensive, entity-wide perspective of the College and its discretely presented component units' assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows.

Basis of accounting – The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows. For the financial statements, intra-agency receivables and payables have generally been eliminated.

Revenue recognition – Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection. Nonexchange transactions in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange includes state and federal appropriations and certain grants and donations.

Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Intercompany transactions – During the course of operations, numerous transactions occur between funds for goods provided and services rendered. For the financial statements, interfund receivables and payables have generally been eliminated. However, revenues and expenses from the College's auxiliary enterprises are treated as though the College dealt with private vendors. For all other funds, expense reimbursement transactions are recorded as reductions of expenses.

Olympic College

Notes to Financial Statements

Cash, cash equivalents, and investments – Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). The College considers deposits with LGIP cash and cash equivalents. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College records all cash and cash equivalents at amortized cost, which approximates fair value or at fair value.

Restricted cash – Restricted cash is restricted to specific purposes by state statute or otherwise. The College's restricted cash is restricted for an institutional financial aid fund as prescribed in the Revised Code of Washington (RCWs) Section 28B.15.820.

Accounts receivable – Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. This also includes amounts due from federal, state, and local governments or private sources as allowed under the terms of grants and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

Capital assets – In accordance with state law, capital assets constructed with state funds are owned by the State of Washington. Property titles are shown accordingly. However, responsibility for managing the assets rests with the College. As a result, the assets are included in the financial statements because excluding them would have been misleading.

Land, buildings, other improvements and infrastructure, equipment, and library resources are recorded at cost, or if acquired by gift, at fair market value at the date of the gift. Capital additions, replacements, and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy all land, intangible assets, and software with a unit cost of \$1,000,000 or more, buildings and improvements with a unit cost of \$100,000 or more, and all other assets with a unit cost of \$5,000 or more are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives range from 15 to 50 years for buildings and improvements, 3 to 50 years for improvements other than buildings, 2 to 10 years for most equipment, and 11 to 40 years for heavy duty equipment.

In accordance with GASB Statement 42, the College reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. For the year ended June 30, 2020, no assets had been written down.

Vendor payment advance payable – The College participates in the State of Washington Vendor Payment Advance (VPA) program, under which advances and periodic reimbursements are provided to facilitate payments for expenditures chargeable to state-appropriated funds. The College reconciles VPA activity at each reporting date. Amounts determined to be repayable to the State, including an overdrawn VPA balance, are recognized as a vendor payment advance payable and measured at the amount required to be remitted. Amounts expected to be settled within one year are reported as current liabilities. The liability is reduced when the amount is remitted to the State.

Olympic College

Notes to Financial Statements

Unearned revenues – Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year, including tuition and fees paid with financial aid funds. The College has recorded summer tuition and fees as unearned revenues.

Tax exemption – The College is a tax-exempt entity under the provisions of Section 115(1) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Net pension liability – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS), and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB No. 68 (Accounting and Financial Reporting for Pensions)*. The reporting requirements are similar to GASB No. 68 but use current fiscal year end as the measurement date for reporting the pension liabilities.

Post-employment benefits other than pensions (OPEB) – For purposes of measuring the total OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the College's OPEB Plan have been determined on the same basis as they are reported by the Plan. For this purpose, the College's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Deferred outflows of resources and deferred inflows of resources – Deferred outflows of resources represent consumption of net position that is applicable to a future period. Deferred inflows of resources represent acquisition of net position that is applicable to a future period. Changes in net pension liability and net OPEB liability not included in pension expense and OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Additionally, changes in Employer contributions subsequent to the measurement date of the net pension liability and net OPEB liability are reported as deferred outflows of resources.

Net position – The College's net position is classified as follows:

Net Investment in capital assets – This represents the College's total investment in capital assets; net of outstanding debt obligations related to those capital assets.

Restricted – These represent balances that can be spent for the specific purposes stipulated through legislation.

Unrestricted – These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

Classification of revenues and expenses – The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Olympic College

Notes to Financial Statements

Operating revenues – This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state, and local grants and contracts that primarily support the operational/educational activities of the College.

Operating expenses – Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation.

Nonoperating revenues – This includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, investment income, and grants received from the federal government.

Nonoperating expenses – Nonoperating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on the certificate of participation loans.

Scholarship discounts and allowances – Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ended June 30, 2020, are \$2,691,614.

State appropriations – The state of Washington appropriates funds to the College on both an annual and biennial basis. These revenues are reported as nonoperating revenues on the Statements of Revenues, Expenses, and Changes in Net Position, and recognized as such when the related expenses are incurred.

Building and innovation fee remittance – Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature and is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's (SBCTC) Strategic Technology Plan. The use of the fund is to implement new Enterprise Resource Planning (ERP) software across the entire system. On a monthly basis, the College remits the portion of tuition collected for the Innovation Fee to the State Board for allocation to SBCTC. These remittances are nonexchange transactions reported as an expense in the nonoperating revenues and expenses section of the statement of revenues, expenses, and changes in net position.

Accounting standards issued but not yet effective – In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification of fiduciary activities of all state and local governments, and for accounting and financial reporting of those activities. The Statement is effective for the fiscal year ending June 30, 2021. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

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Notes to Financial Statements

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be in effect beginning fiscal year ended June 30, 2022. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the fiscal year ending June 30, 2022. This Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by the College. The Statement will be applied on a prospective basis and the interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for the fiscal year ending June 30, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for fiscal year 2023. This Statement requires that public-private and public-public partnerships that meet the definition of a lease apply the guidance in Statement No. 87, *Leases*, as amended, if certain conditions apply. The impact of this Statement has not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal year 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The College is following the State's Office of Financial Management directive to prepare for the implementation of this Statement.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, effective for fiscal year 2025. It provides guidance for measuring liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or non-cash settlement to be made. Certain salary-related payments that are directly or incrementally associated with payments for leave also should be included in the measurement of the liabilities. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

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Notes to Financial Statements

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, effective for fiscal year 2025. This statement provides guidance and clarification for disclosure requirements surrounding concentrations or constraints and related events that could cause a substantial impact to the financial statements. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*, effective for fiscal year 2026. This statement provides guidance on reporting requirements for key components of the financial statements to enhance comparability in financial reporting in various areas including management's discussion and analysis, disclosure of unusual or infrequent items, and budgetary comparison information. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, effective for fiscal year 2026. This statement provides guidance on the disclosure of lease and subscription assets to be disclosed separately by major class of underlying asset in the capital asset note disclosures. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*, effective for fiscal year 2027. This statement provides guidance to improve consistency and comparability of reporting for subsequent event disclosures including improved definitions and clarification of subsequent events that constitute recognized and nonrecognized events. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

Note 2 – Cash and Investments

Cash and cash equivalents include bank demand deposits, change funds and petty cash held at the College, and unit shares in the Washington State Treasurer's LGIP. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17 CFR 270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both the market and credit risk. The LGIP is an unrated investment pool.

As of June 30, 2020, the carrying amount of the College's cash and equivalents was as follows:

Cash and cash equivalents	
Petty cash and change funds	\$ 5,350
Bank demand and time deposits	15,465,811
Local government investment pool	<u>26,195,026</u>
 Total cash and cash equivalents	 <u><u>\$ 41,666,187</u></u>

Custodial credit risks, deposits – Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The majority of the College's demand deposits are with U.S. Bank. All cash and equivalents, except for change funds and petty cash held by the College, are insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC).

Olympic College

Notes to Financial Statements

Note 3 – Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. It also includes amounts due from federal, state, and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements.

At June 30, 2020, accounts receivable was as follows:

Accounts receivable	
Student tuition and fees	\$ 2,104,611
Due from the federal government	665,398
Due from other state agencies	4,495,873
Due from private grants and contracts	1,745,310
Auxiliary enterprises	42,007
Due from local governments	<u>2,730,303</u>
Subtotal	11,783,502
Less allowance for uncollectible accounts	<u>(761,861)</u>
Accounts receivable, net	<u><u>\$ 11,021,641</u></u>

Note 4 – Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2020, is presented as follows:

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets					
Non-depreciable capital assets					
Land	\$ 11,809,552	\$ -	\$ -	\$ -	\$ 11,809,552
Construction in progress	34,198	687,066	(620,994)	-	100,270
Total non-depreciable capital assets	<u>11,843,750</u>	<u>687,066</u>	<u>(620,994)</u>	<u>-</u>	<u>11,909,822</u>
Depreciable capital assets					
Buildings	156,071,699	-	-	-	156,071,699
Other improvements and infrastructure	16,543,735	-	620,994	-	17,164,729
Equipment	9,874,706	456,800	-	(704,416)	9,627,090
Library resources	670,687	-	-	-	670,687
Subtotal depreciable capital assets	<u>183,160,827</u>	<u>456,800</u>	<u>620,994</u>	<u>(704,416)</u>	<u>183,534,205</u>
Less accumulated depreciation					
Buildings	36,765,082	3,482,592	-	-	40,247,674
Other improvements and infrastructure	7,853,907	196,596	-	-	8,050,503
Equipment	7,070,988	749,436	-	(704,416)	7,116,008
Library resources	491,563	54,936	-	-	546,499
Total accumulated depreciation	<u>52,181,540</u>	<u>4,483,560</u>	<u>-</u>	<u>(704,416)</u>	<u>55,960,684</u>
Total depreciable capital assets	<u>130,979,287</u>	<u>(4,026,760)</u>	<u>620,994</u>	<u>-</u>	<u>127,573,521</u>
Capital assets, net of accumulated depreciation	<u><u>\$ 142,823,037</u></u>	<u><u>\$ (3,339,694)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 139,483,343</u></u>

Depreciation expense was \$4,483,560 for the year ended June 30, 2020.

Olympic College

Notes to Financial Statements

Note 5 – Accrued Liabilities and Accounts Payable

At June 30, 2020, accrued liabilities and accounts payable were as follows:

Vendor payment advance payable	\$ 13,294,742
Amounts owed to others	2,729,709
Accounts payable	1,029,995
Amounts owed to employees	<u>1,839,399</u>
	<u><u>\$ 18,893,845</u></u>

Note 6 – Unearned Revenue

At June 30, 2020, unearned revenue consists of receipts that have not yet met revenue recognition criteria, as follows:

Summer quarter tuition and fees	<u>\$ 735,972</u>
	<u><u>\$ 735,972</u></u>

Note 7 – Risk Management

The College is exposed to various risks of loss related to tort liability, injuries to employees, errors and omissions, theft of, damage to, and destruction of assets, and natural disasters. The College purchases insurance to mitigate these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks.

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The College finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims during the fiscal year ended June 30, 2020, were \$52,932. Cash reserves for unemployment compensation for all employees at June 30, 2020, were \$166,823.

The College purchases commercial property insurance through the master property program administered by the Department of Enterprise Services for buildings that were acquired with certificates of participation (COP) proceeds. The policy has a deductible of \$250,000 per occurrence and the policy limit is \$100,000,000 per occurrence. The College has had no claims in excess of the coverage amount within the past three years. The College assumes its potential property losses for most other buildings and contents.

The College participates in a State of Washington risk management self-insurance program, which covers its exposure to tort, general damage, and vehicle claims. Premiums paid to the State are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. Coverage is provided up to \$10,000,000 for each claim with no deductible. The College has had no claims in excess of the coverage amount within the past three years.

Olympic College

Notes to Financial Statements

Note 8 – Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Upon retirement, eligible employees may receive 25% of the value of accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by college employees are accrued when earned. The sick leave liability is recorded as an actuarial estimate of one-fourth of the total balance on the payroll records. The accrued vacation leave totaled \$1,339,828 and accrued sick leave totaled \$1,672,870 at June 30, 2020.

Accrued annual and sick leave are categorized as noncurrent liabilities. Compensatory time is categorized as a current liability since it must be used before other leave.

Note 9 – Operating Lease Commitments

The College has leases for office equipment with various vendors classified as operating leases. As of June 30, 2020, the minimum lease payments under these operating leases consist of the following:

<u>Year ending June 30,</u>	<u>Operating</u>
2021	\$ 123,373
2022	120,235
2023	106,441
2024	112,535
2025	<u>114,634</u>
Totals	<u>\$ 577,218</u>

Lease expense for the year ended June 30, 2020, was \$313,693.

Note 10 – Schedule of Long-term Liabilities

During the fiscal year ended June 30, 2020, the following changes occurred related to long-term debt and obligations:

Description	Balance Outstanding at June 30, 2019	Additions	Reductions	Balance Outstanding at June 30, 2020	Current Portion
Compensated absences	\$ 3,221,494	\$ -	\$ (208,796)	\$ 3,012,698	\$ 243,137
Certificates of participation	149,170	-	(149,170)	-	-
Pension obligation	7,765,678	1,950,586	(1,314,807)	8,401,457	76,559
OPEB Liability	19,082,140	3,457,338	(356,410)	22,183,068	1,677,346
Total	<u>\$ 30,218,482</u>	<u>\$ 5,407,924</u>	<u>\$ (2,029,183)</u>	<u>\$ 33,597,223</u>	<u>\$ 1,997,042</u>

Olympic College

Notes to Financial Statements

Note 11 – Pension and Benefit Plans

The following table represents the aggregate pension amounts for all plans (Notes 11 and 12) for the fiscal year ended June 30, 2020:

	Aggregate Pension Amounts All Plans
Pension liabilities	\$ (8,401,457)
Deferred outflows of resources	3,390,401
Deferred inflows of resources	(2,677,844)
Pension expense (revenues)	532,892

Substantially all of the College's full-time and qualifying part-time faculty participate in either the Washington State PERS or TRS. These cost-sharing, multiple-employer defined benefit pension plans are statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS). The State Legislature establishes and amends laws pertaining to the creation and administration of all public retirement systems.

The DRS, a department within the primary government of the state of Washington, issues a publicly available ACFR that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Plan Descriptions

PERS members include elected officials, state employees, employees of the Supreme, Appeals, and Superior Courts, employees of the legislature, employees of District and municipal courts, employees of local governments, and higher education employees not participating in higher education retirement programs. TRS members include those employed at a certified public school in an instructional, administrative, or supervisory capacity. PERS and TRS are comprised of three separate pension plans for membership purposes. PERS and TRS Plans 1 and 2 are defined benefit plans, and PERS and TRS Plan 3 is a defined benefit plan with a defined contribution component.

Olympic College

Notes to Financial Statements

Pension Benefits

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average financial compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Washington State Department of Labor and Industries (L&I). PERS 1 members were vested after the completion of five years of eligible service. The Plan was closed to new entrants on September 30, 1977.

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for PERS Plan 2, and 1 percent of AFC times the member's years of service for PERS Plan 3. The AFC is the average of the member's 60 highest-paid consecutive months. There is no cap on years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.

PERS Plan 2/3 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a COLA based on the Consumer Price Index (CPI), capped at three percent annually, and a one-time duty-related death benefit, if found eligible by the Washington State L&I. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service, or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, the required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

TRS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are calculated using two percent of the member's AFC times the member's years of service – up to a maximum of 60 percent. The AFC is the average of the members' 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Other benefits include temporary and permanent disability payments, an optional COLA, and a one-time duty-related death benefit, if found eligible by the Washington State L&I. TRS 1 members are vested after completion of five years of eligible service.

Olympic College

Notes to Financial Statements

TRS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for TRS Plan 2, and one percent of AFC times the member's years of service for TRS Plan 3. The AFC is the average of the member's 60 highest-paid consecutive months. There is no cap on years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.

TRS Plan 2/3 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a COLA based on the CPI, capped at three percent annually, and a one-time duty related death benefit, if found eligible by the Washington State L&I. TRS Plan 2 members are vested after completing five years of eligible service. TRS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service, or after five years of service if 12 months of that service are earned after age 44.

TRS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. TRS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The College's required contribution rates (expressed as a percentage of covered payroll) for the fiscal year ended June 30, 2020, are as follows:

	<u>College</u>	<u>Employee</u>
PERS		
Plan 1	12.83%	6.00%
Plan 2/3	12.83%	7.41%
TRS		
Plan 1	15.41%	6.00%
Plan 2/3	15.41%	7.06%

PERS Plan 1 and TRS Plan 1-member contribution rates are developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts the PERS Plan 1 and TRS Plan 1 contribution rates.

PERS Plan 2/3 and TRS Plan 2/3-member and employer contribution rates are developed by the OSA to fully fund Plan 2 and the defined benefit portion of Plan 3. The PERS Plan 2/3 and TRS Plan 2/3 employer rates include components to address the PERS Plan 1 and TRS Plan 1 unfunded actuarial accrued liability, respectively, and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 and Plan 3 employer and employee contribution rates.

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Notes to Financial Statements

Actual contributions to the plans for the FY ended June 30, 2020, are as follows:

	<u>Contributions</u>
PERS	
Plan 1	\$ 413,764
Plan 2	433,855
Plan 3	212,543
TRS	
Plan 1	\$ 72,836
Plan 2	26,309
Plan 3	55,953

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. State contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

Deferred inflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

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Notes to Financial Statements

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions for its PERS plans from the following sources:

	PERS 1		PERS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ 190,037	\$ 142,606
Net difference between projected and actual investment earnings on pension plan investments	-	144,526	-	965,493
Changes of assumptions	-	-	16,985	278,298
Changes in proportion and difference between contributions and proportionate share of contributions	-	-	33,877	202,216
Contributions subsequent to the measurement date	413,764	-	646,397	-
Total	<u>\$ 413,764</u>	<u>\$ 144,526</u>	<u>\$ 887,296</u>	<u>\$ 1,588,613</u>

The average of the expected remaining service lives of all faculty in PERS 1 and PERS 2/3 that are provided with pensions through the College (active and inactive) is 1.00 year and 7.10 years, respectively.

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions for its TRS plans from the following sources:

	TRS 1		TRS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ 39,993	\$ 1,851
Net difference between projected and actual investment earnings on pension plan investments	-	18,112	-	49,658
Changes of assumptions	-	-	21,864	15,283
Changes in proportion and difference between contributions and proportionate share of contributions	-	-	23,578	12,422
Contributions subsequent to the measurement date	72,836	-	82,262	-
Total	<u>\$ 72,836</u>	<u>\$ 18,112</u>	<u>\$ 167,697</u>	<u>\$ 79,214</u>

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Notes to Financial Statements

The average of the expected remaining service lives of all faculty in TRS 1 and TRS 2/3 that are provided with pensions through the System (active and inactive) is 1.00 year and 9.60 years, respectively.

Deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
2021	\$ (31,905)	\$ (335,919)	\$ (3,718)	\$ (3,996)
2022	(75,573)	(534,324)	(9,724)	(15,989)
2023	(26,969)	(258,559)	(3,419)	(2,647)
2024	(10,079)	(156,413)	(1,251)	2,467
2025	-	(70,701)	-	6,654
Thereafter	-	8,202	-	19,732
	<u>\$ (144,526)</u>	<u>\$ (1,347,714)</u>	<u>\$ (18,112)</u>	<u>\$ 6,221</u>

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined by an actuarial valuation as of June 30, 2018, with results rolled forward to June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the OSAs *2007 – 2012 Experience Study Report*. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary Increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- Investment Rate of Return: 7.40%

Mortality rates were based on the *RP-2000* report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning each member is assumed to receive additional mortality improvements in each future year throughout their lifetime. A supplemental plan experience study was performed in April 2016, which reviewed all economic and demographic assumptions other than mortality.

Olympic College

Notes to Financial Statements

Discount Rate

The discount rate used to measure the TPL for all DRS plans provided by the College was 7.40 percent. To determine that rate, an asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent was used to determine the total liability.

Long-term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.40 percent was determined using a building-block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expenses, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Percent Long-Term Expected Real Rate of Return
Fixed income	20.00%	2.20%
Tangible assets	7.00%	5.10%
Real estate	18.00%	5.80%
Global equity	32.00%	6.30%
Private equity	23.00%	9.30%
Inflation component		2.20%
Investment rate of return		<u>7.40%</u>

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Notes to Financial Statements

Sensitivity of the Net Pension Liability

The table below presents the College's proportionate share of the net pension liability (NPL) calculated using the discount rate of 7.40 percent, as well as what the College's proportionate share of the NPL would be if it were calculated using a discount rate that is 1-percentage point lower (6.40 percent) or 1-percentage point higher (8.40 percent) than the current rate.

	Employer's Proportionate Share of the Net Pension Liability / (Assets)		
	1.00% Decrease (6.40%)	Current Discount Rate (7.40%)	1.00% Increase (8.40%)
PERS Plan 1	\$ 2,709,117	\$ 2,163,280	\$ 1,689,697
PERS Plan 2/3	5,087,239	663,299	(2,966,837)
TRS Plan 1	301,848	236,167	179,193
TRS Plan 2/3	313,466	57,518	(150,586)
Totals	<u>\$ 8,411,670</u>	<u>\$ 3,120,264</u>	<u>\$ (1,248,533)</u>

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the College reported a TPL for its proportionate share of the net pension liabilities as follows:

	Net Pension Liability
PERS Plan 1	\$ 2,163,280
PERS Plan 2/3	663,299
TRS Plan 1	236,167
TRS Plan 2/3	57,518
	<u>\$ 3,120,264</u>

There were no College or faculty contribution payables to the DRS at June 30, 2020.

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Notes to Financial Statements

At June 30, 2020, the College's proportionate share of the collective net pension liabilities was as follows:

PERS Plan 1	0.056257%
PERS Plan 2/3	0.068287%
TRS Plan 1	0.009539%
TRS Plan 2/3	0.009546%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2019, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

Pension Expense

The table below shows the components of each plan's pension expense as it is affected by faculty benefits:

2020	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	Total Plans
Actuarially determined pension expense	\$ 104,149	\$ 141,943	\$ 11,543	\$ 33,803	\$ 291,438
Amortization of prior year change in proportion previously recorded as deferred outflows	-	3,195	-	5,115	8,310
Amortization of prior year change in proportion previously recorded as deferred inflows	(5,260)	(49,423)	(401)	(2,745)	(57,829)
Amortization of change in proportionate pension expense	1,811	-	(92,156)	-	(90,345)
Pension expense (revenue)	<u>\$ 100,700</u>	<u>\$ 95,715</u>	<u>\$ (81,014)</u>	<u>\$ 36,173</u>	<u>\$ 151,574</u>

Note 12 – State Board Retirement Plan (SBRP)

Plan Description

The SBRP is a privately administered single employer defined contribution plan with a supplemental defined benefit plan component, which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. The College participates in this plan as authorized by Chapter 28B.10 RCW; the plans cover faculty and other positions as designated by each participating employer. The State Board makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals; no assets are accumulated in trusts or equivalent arrangements.

Contributions

Contribution rates for the SBRP, which are based upon age, are 5 percent, 7.5 percent, or 10 percent of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2020, were \$1,907,812 and \$1,909,749, respectively.

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Notes to Financial Statements

Benefits Provided

The State Board Supplemental Retirement Plans provide retirement, disability, and death benefits to eligible members.

As of July 1, 2011, all the Supplemental Retirement Plans were closed to new entrants.

Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount a member's goal income exceeds their assumed income. The monthly goal income is the one-twelfth of 2 percent of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of fifty percent of the member's average annual salary). The member's assumed income is an annuity benefit the retired member would receive from their defined contribution Retirement Plan benefit in the first month of retirement had they invested all employer and member contributions equally between a fixed income and variable income annuity investment.

Plan members have the option to retire early with reduced benefits.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2020, supplemental benefits were paid by the SBCTC on behalf of the College in the amount of \$1,785,348. The College's share of this amount was \$64,283. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2020, the College paid into this fund at a rate of 0.50 percent of covered salaries, totaling \$106,316. This amount was not used as a part of GASB No. 73 calculations; its status as an asset has not been determined by the Legislature.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018. Update procedures were used to roll forward the total pension liability to the June 30, 2020, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- | | |
|---|---------------|
| • Salary Increases | 3.50% - 4.25% |
| • Fixed Income and Variable Income Investment Returns | 4.25% - 6.50% |

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetime.

Most actuarial assumptions used in the June 30, 2020, valuation were based on the results of the April 2016 Supplemental Plan Experience Study. Additional assumptions related to the fixed income and variable income investments were based on feedback from financial administrators of the State Board Supplemental Retirement Plans.

Material assumption changes during the measurement period include the discount rate decreased from 3.87 percent to 3.50 percent.

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Notes to Financial Statements

Discount Rate

The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.50% for the June 30, 2020, measurement date.

Pension Expense

For the year ended June 30, 2020, the College reported \$381,318 for pension expense in the State Board Supplemental Retirement Plans.

Service Cost	\$ 126,612
Interest Cost	142,424
Amortization of Differences Between Expected and Actual Experience	(91,080)
Amortization of Changes of Assumptions	<u>133,243</u>
Proportionate Share of Collective Pension Expense	<u>311,199</u>
Amortization of the Changes in Proportionate Share of Total Pension Liability	<u>70,119</u>
Total Pension Expense	<u><u>\$ 381,318</u></u>

Proportionate Shares of Pension Liabilities

The College's proportionate share of pension liabilities for fiscal year ended June 30, 2020, was 3.60%. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating colleges. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources is represented in the table:

Proportionate Share (%) 2019	3.35%
Proportionate Share (%) 2020	3.60%
Total Pension Liability - Ending 2019	\$ 3,696,449
Total Pension Liability - Beginning 2020	<u>3,974,516</u>
Change in Proportion	278,067
Total Deferred Inflows/Outflows - 2019	441,902
Total Deferred Inflows/Outflows - 2020	<u>475,144</u>
Total Deferred Inflows/Outflows Change in Proportion	<u>33,242</u>
Total Change in Proportion	<u><u>\$ 311,309</u></u>

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Notes to Financial Statements

Plan Membership

Membership of the State Board Supplemental Retirement Plans consisted of the following at June 30, 2020, the most recent actuarial valuation date:

Change in Total Pension Liability

The following table presents the change in total pension liability of the State Board Supplemental Retirement Plans at June 30, 2020, the latest measurement date for the plan:

Service cost	\$ 126,612
Interest	142,424
Difference between expected and actual experience	300,091
Changes of assumptions	801,833
Benefit payments	(64,283)
Changes in proportional share of total pension liability	<u>278,067</u>
Net change in total pension liability	<u>1,584,744</u>
Total pension liability - beginning	<u>3,696,449</u>
Total pension liability - ending	<u><u>\$ 5,281,193</u></u>
 Inactive Members (Or Beneficiaries) Currently Receiving Benefits	 7
Inactive Member Entitled to but Not Yet Receiving benefits	29
Active Members	<u>397</u>
Total Members	<u><u>433</u></u>

Sensitivity of the Total Pension Liability/(Asset) to Changes in the Discount Rate

The following table presents the total pension liability, calculated using the discount rate of 3.50 percent, as well as what the employers' total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

Discount Rate Sensitivity		
1% Decrease (2.50)%	Current Discount Rate (3.50)%	1% Increase (4.50)%
\$ 6,072,911	\$ 5,281,193	\$ 4,628,891

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Notes to Financial Statements

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the State Board Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 426,818	\$ 666,205
Changes of assumptions	1,005,177	181,174
Changes in College's proportionate share of pension liability	416,813	-
	<u>\$ 1,848,808</u>	<u>\$ 847,379</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 112,282
2022	112,282
2023	112,282
2024	171,620
2025	260,662
Thereafter	232,301
	<u>\$ 1,001,429</u>

Note 13 – Other Post Employment Benefits

The College's employees are eligible to participate in the employer defined benefit other post-employment benefit (OPEB) plan administered by the State Health Care Authority (HCA). The plan, as authorized through RCW 41.05.065, is designed by the Public Employee Benefits Board (PEBB), created within HCA, and determined the terms and conditions of employee and retired employee participation and coverage, including eligibility criteria. The PEBB OPEB plan benefits are provided in accordance with a substantive plan, rather than a formalized contract or plan document and, as such, rely on communication of the plan terms by HCA with employers and plan members as well as the historical practice of plan cost sharing employers.

The PEBB OPEB plan is funded by monthly contributions with amounts established by the Legislature as part of the biennium budget process. For fiscal year ended June 30, 2020, the monthly contribution amount was \$183 per employee. There are no plan assets. Rather, the monthly contributions are used to pay for current benefits provided. The plan does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees eligible for retirement electing to continue coverage and pay the administratively established health insurance premiums at the time they retire under the provisions of the retirement plan to which they belong.

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Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in this risk pool receive an implicit subsidy because the retired members pay a premium based on the claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims cost and the premium.

Retirees who are reenrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy from the reduced premiums. The explicit subsidy is established through an annual recommendation by the HCA administrator, which is included in the Governor's budget with the final amount approved by the state Legislature. In calendar year 2020, the explicit subsidy was up to \$183 per enrollee member per month.

OPEB implicit and explicit subsidies as well as administrative costs are funded by the required contributions participating employers make. The College is required to make monthly contributions on behalf of all active, health care eligible employees (headcount), regardless of enrollment status. The allocation method used by the state to determine the proportionate share of the OPEB related liabilities, deferred inflows, deferred outflows, and expense is the percentage of headcount as a percentage of the state's total headcount.

This same method is used to determine the transactions subsequent to the measurement date, specifically the retiree portion of premium payments made by agencies on behalf of active, health care eligible employees between the measurement date of June 30, 2019, and the reporting date of June 30, 2020. The portion of health care premiums attributed to retirees for both explicit and implicit subsidies is taken from the FY 2020 Third Quarter Update in the PEBB Financial Projection Model (PFPM) from the State Health Care Authority.

Additional information will be included in the Washington State 2020 ACFR on OFM's website (www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report). Additional information on health care trend rates and other actuarial data is available on the Office of the State Actuary's website (<https://leg.wa.gov/about-the-legislature/legislative-agencies/osa/>).

For the year ended June 30, 2020, HCA reports total OPEB liability of \$5.8 billion. At June 30, 2020, the College recognized its proportionate share of the OPEB liability of \$22,183,068. The OPEB liability was measured as of June 30, 2019, and the total liability used to calculate the OPEB liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward those results to a measurement date of June 30, 2019, reflecting the plan's service cost, assumed interest, and expected benefit payments. The College's proportion was based upon its headcount in relation to the headcount of all state employees at the same date resulting in allocations of 0.382212% and 0.375734% used for the measurement of its obligations as of June 30, 2020 and 2019, an increase between years of 0.006478%. The impact of this change is included in the related deferred inflows and outflows of resources and amortized over nine years, which is equal to the average expected remaining service lives of all active and inactive members.

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Notes to Financial Statements

For the year ended June 30, 2020, the College recognized OPEB expense of \$809,316 and recognized deferred outflows and inflows of resources related to the net OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 1,289,748	\$ 6,431,826
Changes in agency proportion	388,475	1,135,593
Difference between expected and actual experience	592,358	-
Transactions subsequent to measurement date	382,504	-
	\$ 2,653,085	\$ 7,567,419

The \$382,504 reported as deferred outflows resulting from transactions subsequent to the measurement date was recognized as a reduction in the OPEB liability in the year ended June 30, 2020.

Other amounts reported as deferred inflows of resources will be recognized as OPEB expense in subsequent years as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ (868,030)
2022	(868,030)
2023	(868,030)
2024	(868,030)
2025	(868,030)
Thereafter	(956,688)
	\$ (5,296,838)

The total OPEB liability in the June 30, 2018, actuarial valuation, which was rolled forward to June 30, 2020, was determined using the following actuarial assumptions:

Inflation	
Economic	2.75%
Salary	3.50%
(Salaries are also expected to grow by promotions and longevity)	
Health care trend rates	
Initial rate	8.00%
Expected by 2080	4.50%

Mortality rates were based on the RP-2000 report's combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year through his or her lifetime.

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Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentages and percentage with spouse coverage were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2017 Economic Experience Study.

Because the OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, which was 3.50% for the June 30, 2019, measurement date.

The following represents the College's proportionate share of the OPEB liability calculated using the discount rate of 3.50% as well as what the proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) and one percentage point higher (4.50%) than the current rate:

Discount Rate Sensitivity		
1% Decrease (2.50)%	Current Discount Rate (3.50)%	1% Increase (4.50)%
\$ 26,862,952	\$ 22,183,068	\$ 18,548,183

The following represents the total OPEB liability of the College, calculated using the health care trend rates of 8.00 percent decreasing to 4.50 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (7.00 percent decreasing to 3.50 percent) or 1 percentage point higher (9.0 percent decreasing to 5.50 percent than the current rate:

Health Care Cost Trend Rate Sensitivity		
1% Decrease (7.00)%	Current Discount Rate (8.00)%	1% Increase (9.00)%
\$ 17,953,825	\$ 22,183,068	\$ 27,874,986

Note 14 – Washington State Deferred Compensation Program

The College, through the State of Washington, offers its employees a deferred compensation plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their salary until future years. The state of Washington administers the plan on behalf of the College's employees. The deferred compensation is not available to employees until termination, retirement, or unforeseeable financial emergency. The College does not have access to the funds.

Olympic College

Notes to Financial Statements

Note 15 – Functional Operating and Nonoperating Expenses by Program

In the Statement of Revenues, Expenses, and Changes in Net Position, operating and nonoperating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating and nonoperating expenses by program or function such as instruction, research, and academic support. The following table lists operating and nonoperating expenses by program for the year ended June 30, 2020.

Instruction	\$ 22,308,062
Institutional support	12,671,767
Student financial aid	10,889,455
Student services	8,508,101
Operations and maintenance of plant	7,255,739
Academic support services	5,842,045
Depreciation	4,483,560
Auxiliary enterprises	2,583,284
Other functional expenses	<u>552,243</u>
	<u><u>\$ 75,094,256</u></u>

Note 16 – Commitments and Contingencies

The College is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial statements.

Note 17 – Discretely Presented Component Units

Olympic College Foundation (the Foundation) is a Washington nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is organized to provide benefits to the College and to the students of the College. The Foundation is operated to receive, hold, invest, and properly administer the assets and to make expenditures to or for the benefit of the institutions.

During the year ended June 30, 2020, the College received \$515,987 from the Foundation and is included in state and local grants and contracts revenue.

During the year ended June 30, 2020, the College contributed \$529,204 to the Foundation in the form of employee and facilities support.

On January 1, 1987, the Estate of Ed Bremer (the Estate) and the John Bremer Residuary Trust (the Trust) formed Bremers Partnership by each contributing property. On January 1, 1988, the assets of the Estate were transferred into the Trust, the resulting reporting entity. The Trust has operations that include investing in, managing, leasing, and maintaining real property, a substantial portion of which is located in Bremerton, Washington. The beneficiary of the Trust is Olympic College. The financial statements include only those assets, liabilities, and results of operations of the Trust that relate to the business of the Trust.

Olympic College

Notes to Financial Statements

Effective January 1, 2006, operations of the Trust were outsourced to a management company. The Trust and the management company have entered into a one-year contract for the management of the Trust. This contract can be renewed annually. In addition, the management of the Trust's investments has been outsourced to a separate investment management company, and the investment company is solely responsible for managing the Trust's investments within the parameters of the Trust's direction and investment policy as written or amended by the trustees.

As discussed in Note 1, the Foundation and the Trust have been included in the reporting entity as a component unit. Although the Foundation and Trust are not deemed to be governmental entities and uses a different reporting model, its balances and transactions have been converted to follow governmental accounting for reporting in the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position.

Note 18 – Subsequent Events

The COVID-19 pandemic continued to affect the College's operations after June 30, 2020. During fiscal years 2021 and 2022, the College experienced declines in student Enrollment that resulted in lower tuition and fee revenues compared with expectations.

Subsequent to June 30, 2020, the college also received federal funding in response to the COVID-19 pandemic. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the College was awarded Higher Education Relief Fund (HEERF 1) funding of \$1,564,555 for student financial aid and \$1,564,554 for institutional purposes. During fiscal year 2021, under the Coronavirus Response and Relief Supplemental Appropriations Act (CRSSAA), the College received additional HEERF II funding of \$3,129,110 for student financial aid and \$4,371,404 for institutional purposes.

Required Supplementary Information

Olympic College

Schedule of Proportionate Share of Net Pension Liability

Year Ended June 30, 2020

Schedule of Proportionate Share of the Net Pension Liability*				
As of June 30, 2020				
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the net pension liability	0.056257%	0.068287%	0.009539%	0.009546%
Employer's proportionate share of the net pension liability	\$ 2,163,280	\$ 663,299	\$ 236,167	\$ 57,518
Employer's covered employee payroll	\$ 7,613,964	\$ 7,423,432	\$ 639,850	\$ 637,203
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	28.41%	8.94%	36.91%	9.03%
Plan fiduciary net position as a percentage of the net pension liability	67.12%	97.77%	70.37%	96.36%
As of June 30, 2019				
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the net pension liability	0.056218%	0.067096%	0.012565%	0.010205%
Employer's proportionate share of the net pension liability	\$ 2,510,715	\$ 1,145,604	\$ 366,972	\$ 45,934
Employer's covered employee payroll	\$ 7,190,498	\$ 6,978,165	\$ 660,651	\$ 590,081
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	34.92%	16.42%	55.55%	7.78%
Plan fiduciary net position as a percentage of the net pension liability	63.22%	95.77%	66.52%	96.88%
As of June 30, 2018				
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the net pension liability	0.057895%	0.069173%	0.011655%	0.011106%
Employer's proportionate share of the net pension liability	\$ 2,747,163	\$ 2,403,431	\$ 418,874	\$ 102,502
Employer's covered employee payroll	\$ 7,006,847	\$ 6,781,731	\$ 689,755	\$ 608,189
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	39.21%	35.44%	60.73%	16.85%
Plan fiduciary net position as a percentage of the net pension liability	61.24%	90.97%	65.58%	93.14%
As of June 30, 2017				
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the net pension liability	0.063216%	0.074719%	0.010527%	0.008380%
Employer's proportionate share of the net pension liability	\$ 3,394,997	\$ 3,762,038	\$ 397,929	\$ 115,082
Employer's covered employee payroll	\$ 7,284,208	\$ 7,016,997	\$ 501,360	\$ 417,206
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	46.61%	53.61%	79.37%	27.58%
Plan fiduciary net position as a percentage of the net pension liability	57.03%	85.82%	62.07%	88.72%

Olympic College

Schedule of Proportionate Share of Net Pension Liability

Year Ended June 30, 2020

	As of June 30, 2016			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the net pension liability	0.063350%	0.075225%	0.010725%	0.007249%
Employer's proportionate share of the net pension liability	\$ 3,313,794	\$ 2,687,832	\$ 333,510	\$ 61,167
Employer's covered employee payroll	\$ 6,649,199	\$ 6,388,812	\$ 360,956	\$ 298,341
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	49.84%	42.07%	92.40%	20.50%
Plan fiduciary net position as a percentage of the net pension liability	59.10%	89.20%	65.70%	92.48%
	As of June 30, 2015			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the net pension liability	0.064316%	0.075259%	0.014472%	0.007399%
Employer's proportionate share of the net pension liability	\$ 3,239,949	\$ 1,521,256	\$ 316,329	\$ 23,899
Employer's covered employee payroll	\$ 6,733,233	\$ 6,443,072	\$ 402,042	\$ 323,553
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	48.12%	23.61%	78.68%	7.39%
Plan fiduciary net position as a percentage of the net pension liability	61.19%	93.29%	68.77%	96.81%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

Olympic College

Schedule of Employer Contributions

Year Ended June 30, 2020

	As of June 30, 2020			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	\$ 413,764	\$ 646,398	\$ 72,836	\$ 82,262
Contributions in relation to the statutorily or contractually required contributions	(413,763)	(646,398)	(72,836)	(82,262)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 8,358,165	\$ 8,159,124	\$ 1,012,199	\$ 1,012,199
Contributions as a percentage of covered employee payroll	4.95%	7.92%	7.20%	8.13%
	As of June 30, 2019			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	\$ 403,382	\$ 557,723	\$ 47,373	\$ 49,893
Contributions in relation to the statutorily or contractually required contributions	(403,382)	(557,723)	(47,373)	(49,893)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 7,613,964	\$ 7,423,432	\$ 639,850	\$ 637,203
Contributions as a percentage of covered employee payroll	5.30%	7.51%	7.40%	7.83%
	As of June 30, 2018			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	\$ 375,774	\$ 517,720	\$ 52,256	\$ 45,370
Contributions in relation to the statutorily or contractually required contributions	(375,774)	(517,720)	(52,256)	(45,370)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 7,190,498	\$ 6,978,165	\$ 660,651	\$ 590,081
Contributions as a percentage of covered employee payroll	5.23%	7.42%	7.91%	7.69%
	As of June 30, 2017			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	\$ 348,252	\$ 422,500	\$ 48,485	\$ 40,921
Contributions in relation to the statutorily or contractually required contributions	(348,252)	(422,500)	(48,485)	(40,921)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 7,006,847	\$ 6,781,731	\$ 689,755	\$ 608,189
Contributions as a percentage of covered employee payroll	4.97%	6.23%	7.03%	6.73%

Olympic College

Schedule of Employer Contributions

Year Ended June 30, 2020

	As of June 30, 2016			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	\$ 358,495	\$ 431,346	\$ 35,421	\$ 27,353
Contributions in relation to the statutorily or contractually required contributions	(358,495)	(431,346)	(35,421)	(27,353)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 7,284,208	\$ 7,016,997	\$ 501,360	\$ 417,206
Contributions as a percentage of covered employee payroll	4.92%	6.15%	7.06%	6.56%
	As of June 30, 2015			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	\$ 291,155	\$ 335,092	\$ 23,556	\$ 19,264
Contributions in relation to the statutorily or contractually required contributions	(291,155)	(335,092)	(23,556)	(19,264)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 6,649,199	\$ 6,388,812	\$ 360,956	\$ 298,341
Contributions as a percentage of covered employee payroll	4.38%	5.24%	6.53%	6.46%
	As of June 30, 2014			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	\$ 284,682	\$ 317,926	\$ 21,209	\$ 18,154
Contributions in relation to the statutorily or contractually required contributions	(284,682)	(317,926)	(21,209)	(18,154)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 6,733,233	\$ 6,443,072	\$ 402,042	\$ 323,553
Contributions as a percentage of covered employee payroll	4.23%	4.93%	5.28%	5.61%

*These schedules are to be built prospectively until they contain 10 years of data

Methods and Assumptions used to Determine Contribution Rates:

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Actuarial cost method	Entry Age Normal	Aggregate	Entry Age Normal	Aggregate
Amortization method	Level %	N/A	Level %	N/A
Remaining amortization period	10-year rolling			
Asset valuation method	8-year graded smoothed fair value			
Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	3.50%	3.50%	3.50%	3.50%
Investment rate of return	7.40%	7.40%	7.40%	7.40%
Mortality	RP-2000 Combined Healthy Mortality Table			

Olympic College
Schedule of Changes in Total Pension Liability and Related Ratios
Year Ended June 30, 2020

<u>Schedule of Changes in Total Pension Liability (TPL)</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 126,612	\$ 95,486	\$ 123,920	\$ 171,950
Interest	142,424	115,500	113,883	111,544
Difference between expected and actual experience	300,091	217,758	(336,823)	(804,233)
Changes of assumptions	801,833	409,447	(113,947)	(189,821)
Benefit payments	(64,283)	(60,891)	(42,095)	(28,632)
Changes in proportional share of TPL	<u>278,067</u>	<u>96,436</u>	<u>60,631</u>	<u>-</u>
Net change in total pension liability	1,584,744	873,736	(194,431)	(739,192)
Total pension liability - beginning	<u>3,696,449</u>	<u>2,822,713</u>	<u>3,017,144</u>	<u>3,756,336</u>
Total pension liability - ending	<u>\$ 5,281,193</u>	<u>\$ 3,696,449</u>	<u>\$ 2,822,713</u>	<u>\$ 3,017,144</u>
Covered payroll	\$ 18,659,833	\$ 18,555,653	\$ 17,454,234	\$ 16,832,806
Total pension liability/(asset) as a percentage of covered payroll	28.30%	19.92%	16.17%	17.92%

Notes to Required Supplementary Information

The State Board Supplemental Retirement Plans are financed on a pay-as-you-go basis. State Board makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, salary growth and the variable income investment return.

Note to Schedule:

Changes of benefit terms: There were no changes in benefit terms.

Changes in assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

- June 30, 2020, 3.87% (Municipal Bond Rate)
- June 30, 2019, 3.50% (Municipal Bond Rate)
- June 30, 2018, 3.87% (Municipal Bond Rate)
- June 30, 2017, 3.58% (Municipal Bond Rate)

Olympic College
Schedule of Employer Contributions
State Board Supplemental Defined Benefit Plans
Year Ended June 30, 2020

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 1,519,604	\$ 1,519,604	\$ -	\$ 16,832,806	9.03%
2018	1,578,408	1,578,408	-	17,454,234	9.04%
2019	1,679,136	1,679,136	-	18,555,653	9.05%
2020	1,909,749	1,909,749	-	18,659,833	10.23%

Note: These schedules will be built prospectively until they contain 10 years of data.

Notes to Schedule:

Changes of benefit terms: There were no changes in benefit terms.

Changes in assumptions: There were no changes in assumptions.

Olympic College
Schedule of Proportionate Share of the Total OPEB Liability and Related Ratios
Year Ended June 30, 2020

	2020	2019	2018
College's portion of OPEB liability	0.382212%	0.375734%	0.376077%
College's proportionate share of the OPEB liability	\$ 22,183,068	\$ 19,082,140	\$ 21,909,576
College's covered-employee payroll	21,692,763	26,700,705	24,412,214
College's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	102.26%	71.47%	89.75%
	2020	2019	2018
Statutorily-required contributions	\$ 108,464	\$ 133,504	\$ 122,061
Contributions related to the statutorily-required contributions	(108,464)	(133,504)	(122,061)
Contribution (deficiency) excess	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 21,692,763	\$ 26,700,705	\$ 24,412,214
Contribution as a percentage of covered-employee payroll	0.50%	0.50%	0.50%

Notes to Schedule:

Changes of benefit terms: There were no changes in benefit terms.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

- June 30, 2020, 3.87% (Municipal Bond Rate)
- June 30, 2019, 3.50% (Municipal Bond Rate)
- June 30, 2018, 3.87% (Municipal Bond Rate)

GASB Statement No. 75 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the College will present information for those years for which information is available.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Independent Auditor's Report

Board of Trustees
Olympic College

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Olympic College (the College) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 10, 2026. The financial statements of the Olympic College Foundation and the John Bremer and Edward Bremer Consolidated Trust (the Foundations) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2020-001 and 2020-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Olympic College's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Davis Furr LLP".

Irvine, California
September 10, 2026

OLYMPIC COLLEGE

Schedule of Findings and Responses

June 30, 2020

2022-001: Preparation of Financial Statements

Financial reports are intended to meet the needs of decision makers, including the governing board, note holders, Federal and State oversight agencies, and constituents. Accordingly, timeliness was identified as one of the characteristics of information in financial reporting in Governmental Accounting Standards Board (GASB) Concepts Statement No. 1, *Objectives of Financial Reporting*. To accomplish this objective, financial reports must be available in time for informed decision making. Additionally, the timely completion of financial statements is a requirement supporting the College's accreditation process. As such, financial reports should be published as soon as possible after the end of the reporting period.

Sometimes the need for timeliness has to be balanced against the need for reliability, which also is identified as one of the characteristics of information in financial reporting identified in GASB Concepts Statement No. 1. While organizations certainly should not sacrifice reliability for timeliness, minor gains in precision ought not to be purchased at the price of indefinite delay (e.g., accounting estimates).

Legislative deadlines for submitting financial statements should be viewed as a minimum standard rather than as an ideal objective. The same holds true for the submission deadlines used by various award programs, such as the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program.

The College experienced difficulties and delays in accurately preparing the financial statements, largely stemming from the implementation of a new enterprise resource planning system (CTCLink) and staff turnover. As a result of these conditions, audited financial statements were not available to meet the needs of decisions makers, including governing boards, note holders, Federal and State oversight agencies, and constituents in a timely manner.

Recommendation

We recommend that the College establish a well-defined process for its annual financial reporting. The process and its key attributes (e.g., overall timing, methodology, communication with component units, segregation of duties, frequency of analyses and review by management) should be formally documented, approved, and reviewed on a regular basis.

Management's Response Regarding Corrective Action Taken or Planned

Management agrees with the recommendation and recognizes the importance of formalizing financial reporting processes to ensure timeliness in financial reporting. Management has already implemented several improvements to strengthen financial reporting and audit readiness. The College will continue these efforts by formally documenting procedures, responsibilities, and review processes.

Management will develop a comprehensive annual financial reporting plan that establishes roles, responsibilities, timelines, review procedures, and communication expectations. Given that the College has multiple fiscal years of financial statements and audits remaining to achieve current status, these enhanced processes will be maintained and refined throughout

OLYMPIC COLLEGE

Schedule of Findings and Responses

(Continued)

the catch-up period and incorporated into the College's ongoing financial reporting framework once current reporting is achieved. The financial reporting plan will be reviewed annually and updated as necessary to reflect changes in SBCTC guidance and requirements, accounting standards, audit expectations, and other applicable regulatory or operational changes.

In addition, at the request of the Board of Trustees, the College will develop and consider adoption of a policy establishing expectations for the timely completion of annual financial statement audits and related reporting requirements. This policy will help ensure accountability, reinforce management's commitment to strong financial stewardship, and provide a framework for Board oversight of the College's financial reporting activities.

2022-002: Adjustments Detected Through the Audit Process

An important element of control over financial reporting is for management to identify adjustments necessary for financial statements to be fairly stated. Whenever possible, adjustments should be reflected in the accounting records prior to the start of the audit. When this is not possible, management should identify and communicate to the auditors the potential areas of adjustment that may need to be addressed during the audit process. Auditing standards require the reporting of material adjustments identified through the audit process as weaknesses in an entity's internal control structure. During the audit of the financial statements for the year ended June 30, 2020, we identified the following adjustments that were corrected by management:

- a) An adjustment to correct depreciation expense and accumulated depreciation in the amount of \$4.1 million;
- b) Adjustments to record pension and other post-employment benefit liabilities (\$30.6 million), deferred outflows of resources (\$6.0 million) and deferred inflows of resources (\$10.2 million) and related expenses;
- c) An adjustment to correct tuition revenue and scholarship allowance in the amount of \$2.7 million;
- d) An adjustment to correct capital assets in the amount of \$1.0 million;
- e) An adjustment to correct beginning net position in the amount of \$905,000;
- f) Adjustments to correct ending accounts receivable (\$5.6 million), unearned revenue (\$3.9 million) and related accounts (\$1.7 million);
- g) An adjustment to correct the due to other funds Vendor Payment Advance (VPA) liability in the amount of \$746,000; and
- h) An adjustment to eliminate duplicated revenue in the amount of \$2.6 million.

Recommendation

We recommend that the College enhance its year-end closing procedures to include areas that resulted in audit adjustments.

Management's Response Regarding Corrective Action Taken or Planned

Management agrees with the recommendation and recognizes the importance of a strong year-end closing process.

OLYMPIC COLLEGE

Schedule of Findings and Responses

(Continued)

These adjustments relate to fiscal year 2020 activity and were identified during an audit that began in 2023, several years after the fiscal year under review. At that time, the College was not fully prepared to enter the audit with complete financial statement support and documented year-end procedures, resulting in a number of adjustments being identified through the audit process.

Since then, management has implemented improvements to strengthen financial reporting and audit readiness, including enhanced reconciliations, management reviews, and documentation of key accounting processes. The College will continue these efforts by developing and maintaining a comprehensive annual financial reporting plan that establishes roles, responsibilities, timelines, review procedures, and communication expectations. The plan will address key financial statement areas, be reviewed annually, and be updated as needed to reflect changes in SBCTC guidance, accounting standards, audit requirements, and operational practices.